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Aberdeen Development Capital PLC

Annual Report and Financial Statements

31 May 2005



Aberdeen

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Financial Calendar

1 August 2005	Announcement of results for year ended 31 May 2005
5 August 2005	Fourth interim dividend for year ended 31 May 2005
30 September 2005	Annual General Meeting
November 2005	First interim dividend for year ending 31 May 2006
January 2006	Second interim dividend for year ending 31 May 2006
May 2006	Third interim dividend for year ending 31 May 2006
August 2006	Fourth interim dividend for year ending 31 May 2006

Corporate Summary

The Group

Aberdeen Development Capital PLC ("the Company") is an investment trust and its shares are listed on the London Stock Exchange. The Company is a member of the Association of Investment Trust Companies. ADC Zeros 2005 PLC, which was formed during the year to facilitate the repayment of existing Zero Dividend Preference ("ZDP") shares is an investment company whose ZDP shares were listed on the London Stock Exchange on 22 November 2004, and was delisted when it was placed into members' voluntary liquidation at 29 June 2005. Both ADC Zeros 2010 PLC and ADC Zeros 2012 PLC are investment companies whose ZDP shares listed on the London Stock Exchange on 30 June 2005 as part of the refinancing of the Group, which took place at the year end.

Objective

The Group's investment policy is to optimise total returns for its Shareholders principally by investing development capital in private companies throughout the UK.

Benchmark

Although the Board believes there is no perfect benchmark measuring performance of a split-capital investment trust with an underlying portfolio of private equity assets, the Group compares its performance with that of the FTSE Small Cap Index (ex Investment Trusts).

Capital Structure

The Group has a capital structure comprising Ordinary shares and Zero Dividend Preference shares, both classes of shares being listed on the London Stock Exchange. The Ordinary shares are held within the Company and the ZDP shares through ADC Zeros 2005 PLC.

Total Assets and Net Asset Value

The Group had total net assets of £18,898,000 and a net asset value of 51.19 pence per Ordinary share at 31 May 2005.

Website

www.developmentcap.co.uk
www.aberdeen-asset.com

Company Secretary

Aberdeen Asset Management PLC, 10 Queen's Terrace, Aberdeen AB10 1YG.

Customer Services

Freephone: 0500 00 00 40 (open Monday – Friday, 9am – 5pm)
Email: inv.trusts@aberdeen-asset.com

Duration

There is no fixed life on the Ordinary shares of the Group. The existing ZDP shares were repaid on 6 July 2005. New ZDP units have been issued in subsidiary companies ADC Zeros 2010 PLC and ADC Zeros 2012 PLC. ZDP shares in ADC Zeros 2010 PLC will be repaid between 30 April 2010 and 31 October 2010 at the Board's discretion. ZDP shares in ADC Zeros 2012 PLC will be repaid between 30 April 2012 and 31 October 2012 at the Board's discretion.

Risk

The market price of the Group's shares and of Ordinary shares, zero dividend preference shares, fixed interest stocks and other investments will be affected by changes in general interest rates. The maintenance of dividend levels on the Company's shares depends on the receipt of revenue from securities in which the Company invests. The use of gearing is likely to lead to volatility in the net asset value in that a relatively small movement in the Company's total assets may result in a magnified movement in net asset value.

Share Dealing/PEP/ISA Status

Ordinary shares in Aberdeen Development Capital PLC and ZDP shares in both ADC Zeros 2010 PLC and ADC Zeros 2012 PLC can be bought in the open market through a stockbroker. They can also be purchased through the Aberdeen Savings Scheme and are fully qualifying for inclusion within tax efficient ISA wrappers (see page 41).

Management Agreement

The Company has an agreement with Aberdeen Asset Managers Limited for the provision of management services, details of which are given in note 3 of the financial statements. The Directors review the terms of the investment management agreement on a regular basis and have confirmed that, due to the long-term relative performance, in their opinion the continuing appointment of Aberdeen Asset Managers Limited is in the interests of Shareholders as a whole.

Your Board



Standing: Charles M Scott (left), Hugh W M Little (alternate for Martin J Gilbert). Seated left to right: Martin J Gilbert, Calum A MacLeod CBE, Willie C H Phillips. In absentia: John R Milligan, George A Robb.

The Board of six Directors, all of whom are non-executive and the majority of whom are considered by the Board to be independent of the Manager, supervises the management of Aberdeen Development Capital PLC and looks after the interests of its Shareholders.

Calum MacLeod CBE *Chairman*

Status: Independent Non-Executive Director

Age: 70

Length of service: 19 years

Relevant experience and other directorships: He is chairman of Grampian Television and vice-chairman of the Board of Governors of the UHI Millennium Institute.

Last re-elected to the Board: 30 September 2004

Committee membership: Chairman of Management Engagement and Nomination Committees; member of Audit Committee.

Employment by the Manager: None

Other connections with the Manager: None

Shared directorships with other Directors: None

Shareholding in Company: 117,000 Ordinary shares

Martin J Gilbert *Director*

Age: 50

Length of service: 19 years

Relevant experience and other directorships: He qualified as a chartered accountant in 1982 and thereafter pursued a career in investment management. He was one of the founding directors, and is now chief executive of Aberdeen Asset Management PLC. He is chairman of FirstGroup PLC and a director of Aberdeen Football Club PLC.

Last re-elected to the Board: 28 September 2001

Committee membership: Nomination Committee

Other public company directorships: Chaucer Holdings PLC, Lombard International Assurance SA, Primary Health Properties PLC, Aberdeen Asian Smaller Companies Investment Trust PLC, Aberdeen Growth Opportunities VCT PLC, Aberdeen Growth VCT I PLC, The Enhanced Zero Trust PLC and The Taverners Trust PLC.

Employment by the Manager: Chief executive of Aberdeen Asset Management PLC

Other connections with the Manager: None

Shared directorships with other Directors: Aberdeen Football Club PLC

Shareholding in Company: 173,797 Ordinary shares

John R Milligan *Director*

Age: 64

Length of service: 6 years

Relevant experience and other directorships: He was the founder and chairman of PGS Atlantic Power. He is visiting Professor of Entrepreneurial Studies at Robert Gordon University (RGU) and vice-chairman of the Board of Governors of RGU. He is also chairman of the Scottish Welfare to Work Taskforce.

Last re-elected to the Board: 26 September 2003

Committee membership: Management Engagement Committee and Audit Committee

Other public company directorships: None

Employment by the Manager: None

Other connections with the Manager: None

Shared directorships with other Directors: None

Shareholding in Company: 10,000 Ordinary shares

Willie C H Phillips *Director*

Age: 66

Length of service: 8 years

Relevant experience and other directorships: He is a chartered accountant and is chairman of the Scottish Malt Whisky Society Limited. Formerly, he was managing director of Macallan Glenlivet PLC between 1979 and 1996.

Last re-elected to the Board: 26 September 2003

Committee membership: Management Engagement Committee, Audit Committee and Nomination Committee

Other public company directorships: Blavod Extreme Spirits PLC

Employment by the Manager: None

Other connections with the Manager: None

Shared directorships with other Directors: None

Shareholding in Company: None

George A Robb *Director*

Age: 63

Length of service: 19 years

Relevant experience and other directorships: After qualifying as a Solicitor, he began a career in investment management in 1971. In 1983, he became one of the founding shareholders in Aberdeen Fund Managers Limited, later to become Aberdeen Asset Management PLC. He was instrumental in establishing Asset Management Investment Company PLC in 1994 and was appointed managing director of the company following its flotation.

Last re-elected to the Board: 23 September 2002

Committee membership: Management Engagement Committee and Audit Committee

Other public company directorships: Asset Management Investment Company PLC, Britannic Global Income Securities PLC, Britannic Global Income Trust PLC, City of London Investment Group PLC, Goshawk Insurance PLC and Integrated Asset Management PLC.

Employment by the Manager: None

Other connections with the Manager: None

Shared directorships with other Directors: None

Shareholding in Company: 175,000 Ordinary shares

Charles M Scott *Director*

Age: 60

Length of service: 8 years

Relevant experience and other directorships: He qualified as a chartered accountant in 1967 and was a partner of Ernst & Young in Glasgow from 1975 to 1993. He is non-executive director of various businesses in Central Scotland including Greater Glasgow Primary Care NHS Trust. He also acts as a business development executive for Targeting Innovation Limited.

Last re-elected to the Board: 30 September 2004

Committee membership: Chairman of Audit Committee and member of Management Engagement Committee

Other public company directorships: None

Employment by the Manager: None

Other connections with the Manager: None

Shared directorships with other Directors: None

Shareholding in Company: 30,000 Ordinary shares

All of the Directors are non-executive and, with the exception of Mr Gilbert, independent.

Information about the Manager

The Company's investment manager is Aberdeen Asset Managers Limited ("AAM"), a wholly-owned subsidiary of Aberdeen Asset Management PLC ("Aberdeen"), whose Group companies as at 30 June 2005 managed a combined £26.6 billion of funds for UK institutions, investment trusts, closed-end funds, unit trusts, private clients and offshore funds.

Aberdeen has been listed on the London Stock Exchange since 1991, although its origins go back to an investment company founded in 1876 to assist Scottish farmers to set up in the Canadian prairies. It has its headquarters in Aberdeen with offices in Birmingham, Edinburgh, Fort Lauderdale, Glasgow, Hong Kong, Inverness, Jersey, Leeds, London, Luxembourg, Manchester, Singapore and Sydney.

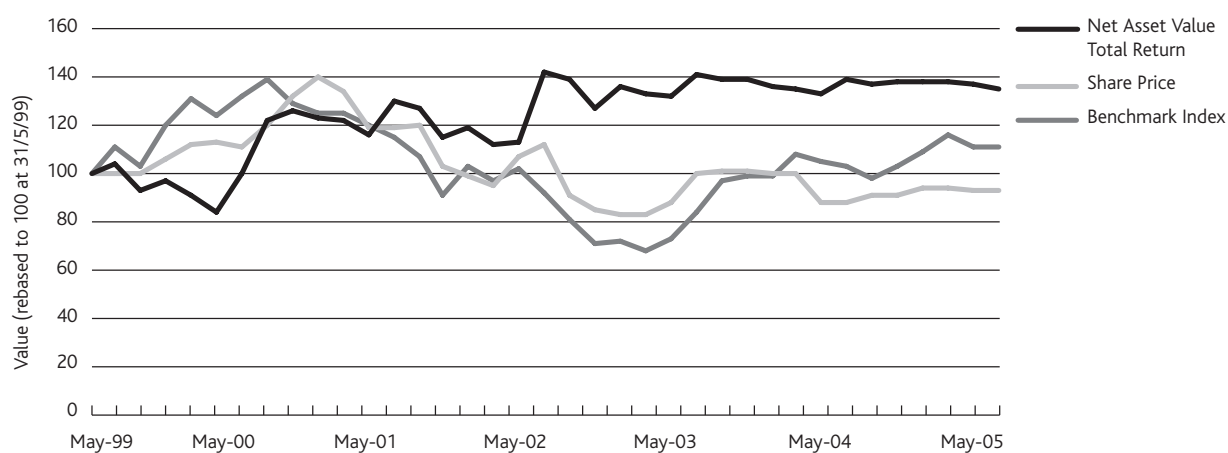
The Group now manages over 40 investment trusts and other closed-end funds representing £5.1 billion under management.

Years Summary

Ordinary share	2005	2004	% change
Net asset value per Ordinary share at 31 May	51.2p	58.2p	(12.0)
Share price at 31 May (mid market)	50.3p	47.3p	6.3
Discount	(1.8)%	(18.7)%	
Highest net asset value per Ordinary share in year	58.9p	65.7p	(10.4)
Lowest net asset value per Ordinary share in year	51.2p	56.3p	(9.1)
Highest share price (mid market) in year	52.3p	55.0p	(4.9)
Lowest share price (mid market) in year	47.3p	47.3p	–
Total dividends per Ordinary share (net)	5.2p	5.2p	–
Total Shareholders' funds (£'000)*	18,898	48,756	(61.2)

*2005 reflects a change to the accounting treatment of the existing Zero Dividend Preference shares which were cancelled by the Company and re-issued in ADC Zeros 2005 PLC. Therefore they are treated as a creditor in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies".

Net asset value v Share price v Benchmark Index



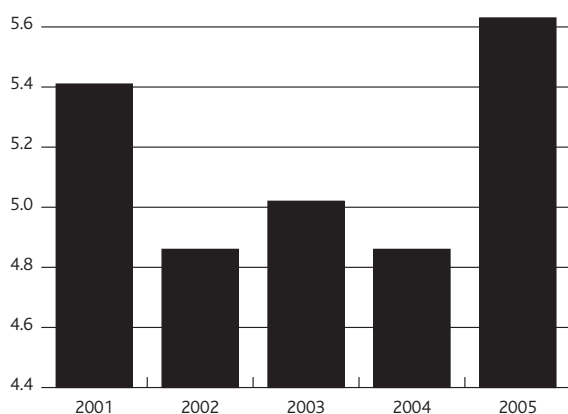
Five Year Financial Record

Year to 31 May 2005

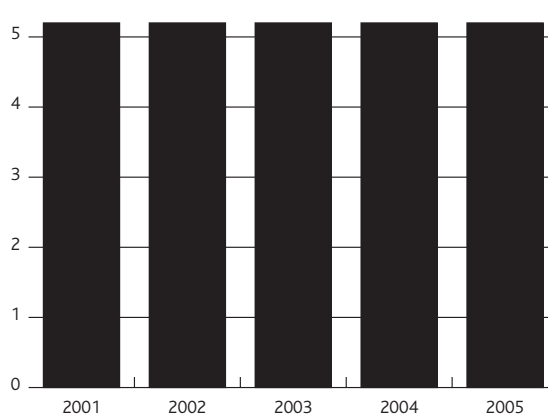
	2001	2002	2003	2004	2005
Per Ordinary share:					
Net earnings	5.41p	4.86p	5.02p	4.86p	5.63p
Net dividends paid	5.20p	5.20p	5.20p	5.20p	5.20p
Net asset value	68.32p	74.34p	65.74p	58.16p	51.19p
Share price	66.00p	61.0p	50.5p	47.25p	50.25p
Total Shareholders funds £'000*	46,884	50,836	49,530	48,756	18,898

*2005 reflects a change to the accounting treatment of the existing Zero Dividend Preference shares which were cancelled by the Company and re-issued in ADC Zeros 2005 PLC. Therefore they are treated as a creditor in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies".

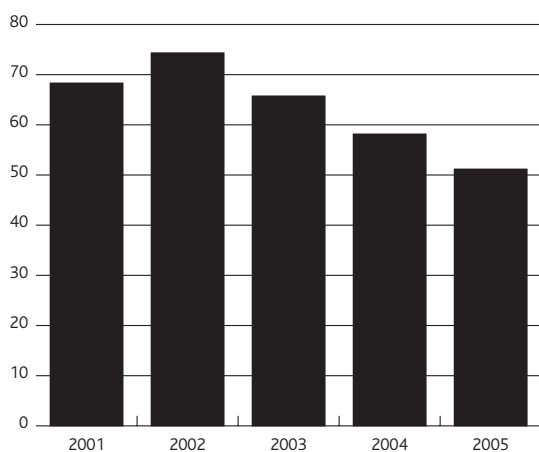
Net earnings per Ordinary share (p)



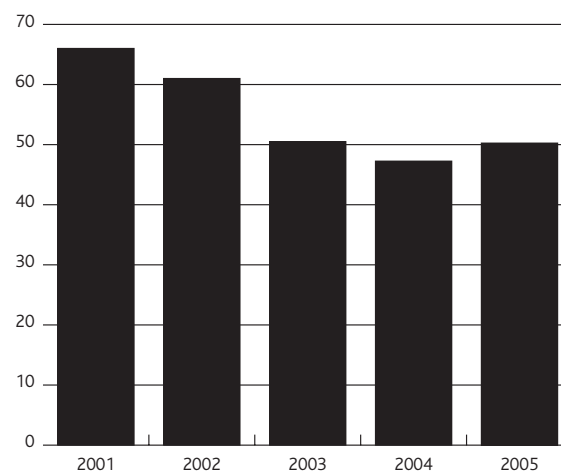
Net dividends paid per Ordinary share (p)



Net asset value per Ordinary share (p)



Share price per Ordinary share (p)



Chairman's Statement

Background

The year ended 31 May 2005 has seen a lower level of investment activity than in previous years as the Group prepared for the refinancing of its existing ZDP shares in July 2005. As set out in my circular letter to shareholders of 27 May 2005, your Board recommended proposals to refinance its existing ZDP shares through a combination of a rollover by existing ZDP shareholders into new ZDP units and a placing with new shareholders of new ZDP units. I am delighted to report that these proposals were unanimously approved at an Extraordinary General Meeting of the Group held on 21 June 2005. Further to the Scheme of Arrangement announced last year, a further Extraordinary General Meeting was held on 29 June 2005 to appoint a liquidator to wind up the subsidiary company, ADC Zeros 2005 PLC. This allowed existing ZDP shareholders electing not to rollover their investment to be paid their full entitlement of 98.2845 pence per share on 6 July 2005. It is pleasing to note that the existing issue of ZDP shares has been one of the most successful in recent years, with shareholders receiving a return on investment of 58.7% over six years.

Performance

Over the year, total assets increased by around 1%, prior to the annual allocation of capital entitlement to existing ZDP shareholders (£2.2 million, or 5.9 pence per Ordinary Share) and the costs of the Scheme of Arrangement and recent fundraising (£0.9 million or 2.4 pence per Ordinary share), resulting in a fall in the Net Asset Value per Ordinary share of some 12%.

Given the liberal dividend policy in place since the Group's reconstruction in 1999, a more appropriate measurement indicator of performance would be the Total Return on Ordinary shares, which, at 38.5% (excluding reconstruction costs) over six years, compares favourably with the FTSE Small Cap (ex Investment Trusts) Index return of 10.9% over the same period.

Dividend

The Directors are pleased to confirm a maintained dividend for the year of 5.2 pence per Ordinary share, representing a yield of 10.3% on the middle market price at the year-end. As noted in my circular to shareholders on 27 May 2005, in order to optimise the potential to enhance the capital performance element of future returns, it is anticipated that the level of dividend will be reduced to 2.5 pence per Ordinary share for the year ending 31 May 2006.

Investment Activity

As mentioned earlier, the rate of investment declined during the year, as the emphasis shifted towards creating sufficient liquidity within the Group to satisfy the repayment of the existing ZDP shares. As a result, the Group has invested £3.3 million (2004 - £4.4 million) in four new and four existing portfolio companies, details of which can be found in the Managers Review.

Realisations have been particularly strong throughout the year, with cash proceeds of £12 million from investments which had originally cost £6.7 million. As highlighted in the Interim Report, three disposals are particularly noteworthy. Firstly, Clydemore Properties, a property development company based in Glasgow, was sold, realising total proceeds of £4.3 million over its seven year lifetime compared with a cost of £1.3 million. Secondly, Multifabs Survival, an Aberdeen based company, which designs and manufactures survival suits, was the subject of a trade sale. Total proceeds over the six years of investment amounted to £3.1 million compared with a cost of £1.0 million. Finally, the largest remaining listed investment, Aberdeen based FirstGroup, which had been in the portfolio since 1989, was sold. Over its lifetime, total proceeds amounted to £10.5 million against a cost of £1.4 million.

Future of the Group

After a period of uncertainty, the future of the Group has now been resolved, with the launch on 30 June 2005 of two new subsidiaries, ADC Zeros 2010 PLC and ADC Zeros 2012 PLC and the repayment of the existing ZDP shares on 6 July 2005. Given the strong long-term performance achieved to date, the Board is confident that the Group can continue to deliver satisfactory returns to both classes of shareholders.

One of the Group's founding Directors, George Robb, will retire at the forthcoming Annual General Meeting. His long experience and knowledge of the financial sector have been particularly helpful to us and we thank him for giving us the benefit of his wise counsel and sound judgement as a Director of the Group.

Calum A MacLeod
Chairman
16 August 2005

Manager's Review

Dealflow of potential investments by the Group through the regional network of offices has been maintained at the levels experienced in the previous year. Vendors' pricing expectations and the constraint placed on investment by a requirement to boost liquidity within the Group ahead of the repayment of existing ZDPs has led to a slow down in the activity rate with only four new investments made during the year at a cost totalling £2.8 million and follow-on investment of £0.5 million in three existing portfolio companies.

The economic environment for realisations, which improved during 2004 has continued in the current year with improved stock market conditions leading to an increase in the number of flotations of private equity backed business. The secondary buy-out market continues to play a significant role while confidence appears to have returned to the corporate market resulting in an increasing number of trade sales. As a result of these improved conditions disposals totalling £12 million were achieved in the year, compared to a book cost of £6.7 million.

Net Asset Value Performance

Audited NAV per Ordinary share as at 31 May 2004			58.2p
Major Gains:	TLA Holdings	1.6p	
Major Downgrades:	Road & Sea Express (UK)	(2.1)p	
			(0.5)p
Appropriation to Zero Dividend Preference shares			(5.9)p
Other movements			(0.6)p
Audited NAV per Ordinary share as at 31 May 2005			51.2p

New Unlisted Investments

Company	Sector	Transaction Type	Cost £'000
Cash Bases	Support Services	MBO	1,250
ABZ Group	Support Services	MBO	550
Travel Class	Leisure	MBO	519
RMS Europe	Transport	MBO	514
Total			2,833

Deckflat, trading as Cash Bases and based in Newhaven, is one of Europe's leading designers and manufacturers of customised drawers for cash registers and point of sale systems.

ABZ Group is based in Aberdeen and is concerned with the design, manufacture, sale and rental of specialised cabins for use in the energy services sector.

Travel Class is a Hampshire based company catering for both the ski and spring/summer vacation markets providing activity-based educational holidays for schoolchildren.

RMS Europe is an inland ports operator in the Humberside region, providing stevedoring and ships agency services together with the storage and onward transportation of materials.

In addition to the above investments, £4.5 million was invested in short-term Certificates of Deposit which were redeemed on 5 July 2005.

Follow On Investments

Company	Sector	Transaction Type	Cost £'000
Original Shoe Company	Retail	Dev Cap	500
Astraeus	Transport	Replacement Capital	42
Scottish Equity Partnership	Investment Companies	Drawdown	3
Total			545

Original Shoe Company, the branded clothing retail chain, received £500,000 to assist with the expansion of the business.

Realisations

During the year there were a number of realisations and redemptions of debt instruments from the unlisted portfolio.

Company	Proceeds £'000	Cost £'000	Gain/(Loss) £'000
Clydemore Properties	2,401	819	1,582
Multifabs Survival	2,141	563	1,578
Focus DIY	1,194	796	398
John Lawrie (Aberdeen)	810	540	270
Voxar	487	625	(138)
Original Shoe Company	350	350	-
TMI Foods	347	239	108
Feather Diesel Holdings	220	100	120
Templar Hotels	213	818	(605)
Black Teknigas	206	119	87
TLA Holdings	164	164	-
Fispak	100	100	-
Envirogen	65	65	-
Scottish Equity Partnership	58	58	-
PSCA International	42	42	-
Euractions	4	4	-
Chiltern Invadex	3	3	-
Plaxton	2	1	1
Total	8,807	5,406	3,401

The following table summarises listed disposals made during the year:

Company	Proceeds £'000	Cost £'000	Gain/(Loss) £'000
FirstGroup	2,499	674	1,825
Hurlingham	379	400	(21)
Themutual.net	328	203	125
Total	3,206	1,277	1,929

It was again a strong year for realisations, with cash proceeds in excess of £12 million. Details of the major disposals for Clydemore Properties, Multifabs Survival and FirstGroup are contained in the Chairman's Statement, but there were other notable events. In February, Focus Wickes completed the sale of its Wickes business to Travis Perkins, resulting in a realisation of value for existing shareholders. In addition to generating a capital gain, income proceeds of £374,000 were also realised. Elsewhere, across the portfolio, many investee companies are performing well, which has allowed them to redeem debt investments either in line or ahead of schedule.

Valuation Principles

The unlisted portfolio is valued at fair value in accordance with the guidelines set out by the British Venture Capital Association.

Methodology	Category
Earnings Multiple	Primary
Price of Recent Investment	Primary
Net Assets	Primary
Industry Valuation Benchmarks	Secondary

Earnings multiple – this methodology is likely to be appropriate for an investment in an established business with an identifiable stream of continuing earnings that can be considered to be maintainable. A multiple is applied to the earnings of the business being valued in order to derive a value for the business. In this case a discount used in the investment's valuation is typically 25%-50% of the listed equivalent rating to reflect a lack of marketability.

Price of recent investment – this methodology is considered where there has been a recent investment in the company, to base the valuation on the price of that investment. Where the investment being valued was itself made recently, its cost will generally provide a good indication of value. The length of period for which it would remain appropriate to use this methodology for a particular investment will depend on the specific circumstances of the case, but a period of one year is often applied in practice.

Net assets – this methodology is likely to be considered appropriate for a business whose value derives mainly from the underlying value of its assets rather than its earnings. The methodology may also be appropriate for a business that is not making an adequate return on assets and for which greater value can be realised by liquidating the business and selling its assets. It may therefore be appropriate, in certain circumstances, for valuing investments in loss-making companies and companies making only marginal levels of profits.

Industry valuation benchmarks – a number of industries have industry-specific valuation benchmarks, including the information technology sector and service sectors where long-term contracts are a key feature and use multiples of revenue as a valuation benchmark. These industry norms are often based on the assumption that investors are willing to pay for turnover or market share, and that the normal profitability of businesses in the industry does not vary much.

Outlook

With the future of the Group now clear following the refinancing after the year-end, the Manager will focus on realising as much value from existing portfolio companies as possible so that it may participate in exciting new opportunities generated through its regional network of private equity offices.

Aberdeen Asset Managers Limited

16 August 2005

Twenty Largest Investments

As at 31 May 2005

Company	Fair value £'000	Book cost £'000
Transrent Transrent derives its income through the rental of its trailer fleet to hauliers and large distribution companies throughout the UK, with much of the business being generated from top quoted companies.	5,910	3,850
Original Shoe Company Original Shoe Company operates a chain of 43 outlets in Scotland and Northern England concerned with the sale of branded clothes and footwear.	3,562	1,050
Tennants Consolidated Tennants Consolidated is engaged in the manufacture and sale of chemicals and chemical products.	2,656	1,043
Pilgrim Systems Pilgrim Systems is concerned with the origination, supply and support of specialised software packages predominantly for use within the legal profession.	2,500	1,500
Norson Group Norson Group's principal activity is the stocking and distribution of hydraulic components, the service and repair of hydraulic components and equipment, and the provision of pipework and industrial services.	2,361	1,100
PLM Dollar Group PLM Dollar Group is the leading operator of utility helicopters in the UK.	1,533	1,300
TLA Holdings Trading as Boyack Homes, the company is an established housebuilder in Fife.	1,277	472
FFC (UK) FFC UK designs and manufactures office furniture.	1,250	1,150
Deckflat Deckflat is considered a world leading designer and manufacturer of customised cash drawers and is based in Newhaven, Sussex.	1,250	1,250
Irish Life & Permanent 4.84% CD Certificate of Deposit.	1,000	1,000

Year-end	% of fully diluted equity held	Dividend per share (p)	Dividend cover	Net assets attributable by equity held £'000
31-Dec-2003	26.4	1,519.21	1.94	1,931
31-Oct-2004	21.0	n/a	n/a	238
31-Dec-2004	2.2	19.91	2.62	2,499
30-Sep-2003	20.0	4.97	4.64	174
31-Mar-2003	32.8	31.50	4.37	345
30-Sep-2003	20.0	3.44	0.20	695
30-Jun-2004	34.1	68.68	2.19	270
30-Jun-2004	25.0	n/a	n/a	82
n/a	18.8	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a

Twenty Largest Investments – continued

Company	Fair value £'000	Book cost £'000
Lloyds TSB Scotland 4.83% CD Certificate of Deposit.	1,000	1,000
Northern Rock 4.82% CD Certificate of Deposit.	1,000	1,000
Yorkshire Building Society 4.83% CD Certificate of Deposit.	1,000	1,000
John Lawrie (Aberdeen) John Lawrie (Aberdeen) is concerned with the processing and sale of scrap metals, the trading of new and reusable steel, tubulars and equipment, equipment rental, property demolition and the provision of services to the oil and gas, construction and utility industries.	810	540
Plaxton Plaxton is a manufacturer of coaches and buses.	750	750
IFC Holdings IFC Holdings is concerned with the processing and distribution of canned fish products.	650	501
Palgrave Brown Palgrave Brown is a manufacturer of specialist timber products.	595	500
Feather Diesel Holdings Feather Diesel Holdings are diesel fuel injection and auto electrical engineers.	560	560
ABZ Group ABZ Group is concerned with the manufacture, sale and retail of specialised cabins for use in the energy services sector.	550	550
CAP Group Limited CAP Aluminium Group's principal activity is the design, fabrication and installation of glazing units.	536	750

Year-end	% of fully diluted equity held	Dividend per share (p)	Dividend cover	Net assets attributable by equity held £'000
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a
31-Dec-2003	7.1	n/a	n/a	511
30-Apr-2004	7.7	n/a	n/a	n/a
31-Mar-2004	23.5	n/a	n/a	1,023
31-Mar-2004	3.7	n/a	n/a	59
30-Apr-2004	7.7	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a
31-Dec-2003	8.1	n/a	n/a	404

Classification of Investments

Classification of Investments by sector

Based on valuation at 31 May 2005

	2005 %	2004 %
Oil & Gas	0.0	0.0
Resources	0.0	0.0
Chemicals	7.9	7.3
Construction & Building Materials	6.3	5.1
Basic Industries	14.2	12.4
Aerospace & Defence	1.0	1.0
Engineering & Machinery	2.9	3.4
General Industrials	3.9	4.4
Household Goods & Textiles	3.2	3.3
Cyclical Consumer Goods	3.2	3.3
Food Producers & Processors	4.6	5.0
Health	0.8	2.1
Non Cyclical Consumer Goods	5.4	7.1
General Retailers	10.8	11.2
Leisure & Hotels	3.9	3.7
Support Services	32.2	31.4
Media & Entertainment	1.1	1.4
Transport	5.4	10.3
Cyclical Services	53.4	58.0
Information Technology Hardware	0.7	1.1
Software & Computer Services	6.5	6.6
Information Technology	7.2	7.7
Investment Companies	1.1	7.1
Banks	11.6	0.0
Financials	12.7	7.1
Total fixed asset investments	100.0	100.0
Classification of investments by instrument held		
Equities	45.2	58.3
Convertible securities	0.0	0.8
Fixed interest securities	54.8	40.9
	100.0	100.0

Aberdeen Development Capital PLC

Directors' Reports & Financial Statements

Year ended 31 May 2005

Directors' Report

The Directors present their report and financial statements for the year to 31 May 2005.

Review of the Business

A review of the Company's activities is given in the Chairman's Statement on page 8 and the Manager's Review on page 9.

Principal Activity

The business of the Company is that of an investment trust investing development capital in private companies in the UK and by the acquisition of companies or other entities investing development capital.

Status

The Company is an investment company as defined by Section 266 of the Companies Act 1985 and is registered as a public limited company. The Company is also a member of the Association of Investment Trust Companies ("AITC").

The Company has been provisionally approved by the Inland Revenue as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31 May 2004.

The Company is a qualifying trust for the purposes of Personal Equity Plans and Individual Savings Accounts and it is the Directors' intention that the Company should continue to be a qualifying trust.

Results and Dividends

Details of dividends paid and proposed during the year ended 31 May 2005 and amounts transferred to revenue reserves are shown in notes 7 and 15 to the financial statements.

Directors

The current Directors of the Company are shown on page 2 and brief biographical details on pages 2 to 4. In accordance with the Articles of Association Mr Gilbert, Mr Phillips and Mr Robb retire by rotation and, Mr Gilbert and Mr Phillips being eligible, will offer themselves for re-election. As explained in the Chairman's Statement, Mr Robb will not be seeking re-election at the Annual General Meeting.

Mr Little resigned as a Director of the Company on 24 March 2005 in accordance with the provisions of FSA Consultation Paper CP164. Mr Little was subsequently re-appointed as an alternate director to Mr Gilbert.

The Directors at 31 May 2005 and their beneficial interests in the Ordinary shares of the Company and alterations since the balance sheet date are as follows:

	31 July 2005 Ordinary	31 May 2005 Ordinary	31 May 2004 Ordinary
C A MacLeod	117,000	117,000	108,961
M J Gilbert	173,797	173,797	192,104
J R Milligan	10,000	10,000	10,000
W C H Phillips	—	—	—
G A Robb	175,000	175,000	175,000
C M Scott	30,000	30,000	30,000

Mr Gilbert is a director of Aberdeen Asset Management PLC, the Secretary of the Company and the holding company of Aberdeen Asset Managers Limited. Aberdeen Asset Managers Limited is entitled to receive fees under the Management Agreement described in note 3 and the marketing agreement described in note 4 to the financial statements.

No Director has a service contract with the Company.

Duration of the Company

There is no fixed life on the Ordinary shares of the Group. The existing Zero Dividend Preference ("ZDP") shares were repaid on 6 July 2005. New ZDP units have been issued in subsidiary companies ADC Zeros 2010 PLC and ADC Zeros 2012 PLC. ZDP shares in ADC Zeros 2010 PLC will be repaid between 30 April 2010 and 31 October 2010 at the Board's discretion. ZDP shares in ADC Zeros 2012 PLC will be repaid between 30 April 2012 and 31 October 2012 at the Board's discretion.

Corporate Governance

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's Shareholders and this statement describes how the Company applies the principles identified in the Combined Code (appended to the UK Listing Authority Listing Rules).

In July 2003 the revised Combined Code on Corporate Governance ("the new Code") was published and is applicable for all accounting periods beginning on, or after, 1 November 2003. The new provisions relating to investment companies within the UKLA's Listing Rules take effect from 1 April 2005. The Board confirms that the Company has complied throughout the accounting period with the provisions contained within Section 1 of the New Code.

The Board

The Board currently consists of a non-executive Chairman and five non-executive Directors. All Directors, with the exception of Mr Gilbert are considered by the Board to be independent of the Investment Manager and free of any material relationship with the Investment Manager. Mr Gilbert is a director of the Company's Secretary, Aberdeen Asset Management PLC and as such is not considered to be independent to the AAM Group. Each Director has the requisite high level and range of business and financial experience which enables the Board to provide clear and effective leadership and stewardship of the Company. The Board considers that the post of chief executive officer is not relevant for an investment trust company as this role has effectively been delegated to the Manager, under the terms of the investment management agreement. Dr C A MacLeod has been identified as the senior independent non-executive Director, to whom any concerns can be conveyed by the other Directors. The Board takes the view that independence is not compromised by length of tenure on the Board and that experience can add significantly to the Board's strength.

The Board met ten times during the year ended 31 May 2005. In addition, the Audit Committee and Management Engagement Committee met four times. Between these formal meetings there is regular contact with the Investment Manager.

Director	Board Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
C A MacLeod (Chairman)	9	2	2
M J Gilbert (inc alternate)*	9	—	—
J R Milligan	8	1	1
W C H Phillips	10	2	2
G A Robb	10	2	2
C M Scott	9	2	2

* Mr Gilbert is not a member of the Audit or Management Engagement Committees

The Board has a schedule of matters reserved to it for decision and the requirement for Board approval on these matters is communicated directly to senior staff of the Investment Manager. Such matters include strategy, borrowings, treasury and dividend policy. Full and timely information is provided to the Board to enable the Directors to function effectively and to discharge their responsibilities. The Board also reviews the financial statements, performance and revenue budgets.

The Board has put in place necessary procedures to conduct, on an annual basis, an appraisal of the Chairman of the Board as well as a performance evaluation of the Board as a whole. The Board has also reviewed the Chairman's and Directors' other commitments and is satisfied that the Chairman and other Directors are capable of devoting sufficient time to the Company.

There is an agreed procedure for Directors to take independent advice if necessary and at the Company's expense. This is in addition to the access which every Director has to the advice and services of the Company Secretary, Aberdeen Asset Management PLC, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Board Committees

Separate Audit and Management Engagement Committees have been established, along with a Nomination Committee. Given the nature of the Company it is not felt appropriate to establish a Remuneration Committee.

The Nomination Committee comprises Dr MacLeod, Mr Gilbert and Mr Phillips and is convened for the purpose of considering additional or replacement Directors. Full details of the duties of new Directors are provided to them together with a letter of appointment. All newly appointed Directors receive any necessary training and induction.

The Audit and Management Engagement Committees each consist of Directors independent of the Investment Manager.

The Audit Committee operates within clearly defined terms of reference. In summary, the Audit Committee's main functions are:

- to review and monitor the internal control systems and risk management systems on which the Company is reliant;
- to consider annually whether there is a need for the Company to have its own internal audit function;

- to monitor the integrity of the interim and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Investment Manager and Administrator;
- to meet, if required, with the external Auditors to review their proposed audit programme of work and the findings of the Auditors. The Committee shall also use this as an opportunity to assess the effectiveness of the Audit process;
- to review an annual statement from the Manager detailing the arrangements in place within AAM whereby AAM staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters;
- to make recommendations to the Board in relation to the appointment of the external Auditor and to approve the remuneration and terms of engagement of the external Auditor; and
- to monitor and review annually the external Auditor's independence, objectivity, effectiveness, resources and qualification.

The Management Engagement Committee keeps under review the terms of the investment management agreement.

Internal Controls

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness.

Following publication of guidance for directors on internal control 'Internal Control: Guidance for Directors on the Combined Code (the Turnbull guidance), the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the period under review and up to the date of approval of this Annual Report and Accounts, and is regularly reviewed by the Board and accords with the guidance. The significant risks faced by the Company are as follows:

- financial;
- operational; and
- compliance.

The Board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the Company and the policies by which these risks are managed.

The key components designed to provide effective internal control are outlined below:

- The Investment Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance;
- The Board and Investment Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board. The Investment Manager's evaluation procedure and financial analysis of the companies concerned include detailed appraisal and due diligence;
- As a matter of course the compliance department of Aberdeen Asset Management PLC continually reviews the Manager's operations;
- Written agreements are in place which specifically define the roles and responsibilities of the Investment Manager and other third party service providers;
- The Board has considered the need for an internal audit function, but because of the internal control system in place at the Investment Manager, has decided to place reliance on the Investment Manager's systems and internal control procedures;
- At its July Board meeting, the Board carried out an annual assessment of internal controls for the year to 31 May 2005 by considering documentation from the Investment Manager, including their internal audit and compliance functions and taking into account events since 31 May 2005.

The internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

Going Concern

After making enquiries and given the nature of the Group and its investments, the Directors are satisfied that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Financial Statements

The Directors' responsibilities regarding the financial statements are set out on page 22. The Directors acknowledge that their responsibility to present a balanced and understandable assessment extends to interim and other price sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements.

Relations with Shareholders

The Investment Manager maintains a regular dialogue with institutional Shareholders, the feedback from which is reported to the Board. In addition, Board members and representatives of the Investment Manager are available to answer Shareholders' questions at the Annual General Meeting of the Company.

Substantial Interests

On 31 July 2005 the following were registered or had notified the Company as being interested in 3% or more of the Company's Ordinary share capital:

Name of shareholder	Number of shares held	% held
Iimia Investment Group plc	6,850,000	18.55
New Star Asset Management Limited	5,500,000	14.90
Merseyside Superannuation Fund	5,197,042	14.08
Jupiter Asset Management Limited	2,774,927	7.52
Advance UK Trust PLC	2,693,414	7.30
Clients of Aberdeen Asset Managers Limited	2,108,126	5.71
Midas Capital Partners	1,500,000	4.06

Creditor Payment Policy

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates. All other expenses are paid on a timely basis in the ordinary course of business. The Directors do not consider any creditors to represent trade creditors.

Special Business at Annual General Meeting

Two resolutions are being put to the Annual General Meeting as Special Business.

Resolution 6 will, if passed as an ordinary resolution, renew the Directors' existing general power to allot securities up to an aggregate nominal amount of £1,218,334 representing 33% of the issued share capital of the Company at the date of this document.

Resolution 7 will, if passed as a special resolution, renew the Directors' existing authority until the conclusion of the next Annual General Meeting to make limited allotments of shares for cash other than according to the statutory pre-emption rights which require all shares issued for cash to be offered first to all existing Shareholders. This would provide the Directors with flexibility to act in the best interests of Shareholders when the opportunity arises so that

- (i) the Company can follow normal practice in the event of a rights issue (if appropriate) and
- (ii) may, in addition, issue a limited number of shares up to a nominal value of £184,596, representing 5% of the current issued share capital of the Company, for cash on a non pre-emption basis.

Auditors

The current auditors KPMG Audit Plc, will not be seeking re-appointment at the Annual General Meeting. The Directors will therefore place a resolution before the Annual General Meeting to appoint Deloitte & Touche LLP as auditors for the ensuing year and to authorise the Directors to determine their remuneration.

10 Queen's Terrace
Aberdeen AB10 1QG
16 August 2005

By order of the Board
Aberdeen Asset Management PLC
Secretaries

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the total return for that period. In preparing those financial statements, the Directors are required to;

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, disclosed and explained in the financial statements;
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

Directors' Remuneration Report

This Report is prepared in accordance with Schedule 7A of the Companies Act 1985. The Company's auditor is required to report on certain information contained within this report. Where information set out below has been audited it is indicated as such. The auditor's opinion within the Auditors Report on page 25.

Remuneration Committee

As the Board of Directors is comprised solely of non-executive Directors, it is exempt under the Listing Rules from appointing a Remuneration Committee. The determination of the Directors' fees is a matter dealt with by the whole Board.

Remuneration Policy

The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to a total of £150,000 per annum. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs. It is intended that this policy will continue for the year to 31 May 2006.

No element of the Directors' remuneration is performance related.

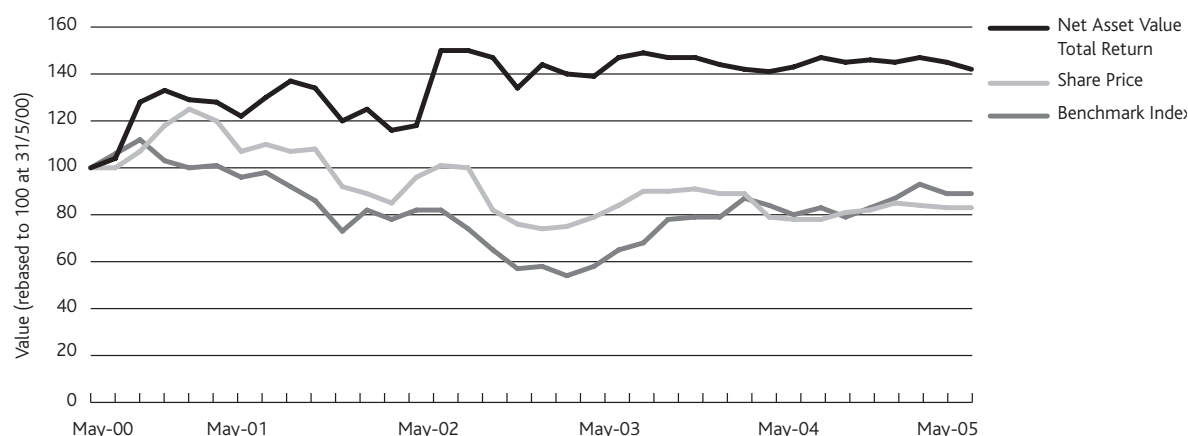
A resolution to receive and adopt the Directors' Remuneration Report will be proposed at the Annual General Meeting.

Total Shareholder Return

The graph below illustrates the total Shareholder return for a holding in the Company's Ordinary shares as compared to the FTSE Small Cap Index (excluding Investment Trusts) for the period since the Company reorganised its share capital in 1999 to become a split-capital investment trust, until 31 May 2005. The Company considers the FTSE Small Cap Index (excluding Investment Trusts) to be the most appropriate index against which to measure the Company's performance. Prior to 1999 the Company's benchmark was the NatWest Securities Venture Capital Index.

Net asset value v Share price v Benchmark Index

Source: Fundamental Data, Factset



Service Contracts

None of the Directors operate under a service contract with the Company. The Company's Articles of Association provide that the number of Directors nearest to, but not greater than, one third of the Board shall retire by rotation. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election, thereafter one third of the Directors who have been longest in office shall retire from office but, if there is only one Director who is subject to retire by rotation, he shall retire. There is no requirement for the Directors to be re-elected every three years. Consideration will be given to altering the Articles of Association in due course to make them comply with the Combined Code on this subject. However, this is unlikely to be undertaken until the Company requires a general redrafting of the Articles.

No Director past or present has any entitlement to pensions, and the Company has not awarded any share options or long-term performance incentives to any of the Directors.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

Directors' emoluments (audited information)

Director	2005 £	2004 £
C A MacLeod *	23,500	22,000
M J Gilbert	17,500	16,500
H W M Little	14,583	16,500
J R Milligan	17,500	16,500
W C H Phillips	17,500	16,500
G A Robb	17,500	16,500
C M Scott	17,500	16,500
	125,583	121,000

* Appointed Chairman 25 March 1986

The amounts paid by the Company to the Directors were for services as non-executive Directors.

Sums paid to Third Parties (audited information)

Of the fees disclosed above £32,083 (2004 – £33,000) was payable to third parties in respect of making available the services of Directors. These fees were assigned to Aberdeen Asset Management PLC (M J Gilbert) and Aberdeen Asset Managers Limited (H W M Little).

16 August 2005

By order of the Board
Aberdeen Asset Management PLC
 Secretaries

Independent Auditors' Report to the Members of Aberdeen Development Capital PLC

We have audited the financial statements on pages 26 to 39. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report and the Directors' Remuneration Report. As described on page 22, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our professional ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the group is not disclosed.

We review whether the Corporate Governance statement on pages 14 to 20 reflects the Company's compliance with the nine provisions of the 2003 FRC Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statement on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement and the unaudited

part of the Directors' Remuneration Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- The financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 May 2005 and of the total return of the Group for the year ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Edinburgh

16 August 2005

Group Statement of Total Return

(Incorporating the Revenue Account of the Group)

For the year ended 31 May 2005

	Notes	Year ended 31 May 2005			Year ended 31 May 2004		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	9	–	827	827	–	(43)	(43)
Income	2	2,918	–	2,918	2,474	–	2,474
Investment management fee	3	(238)	(483)	(721)	(249)	(505)	(754)
Other expenses	4	(597)	(883)	(1,480)	(401)	(43)	(444)
Net return/(loss) before finance costs and taxation		2,083	(539)	1,544	1,824	(591)	1,233
Interest payable and similar charges	5	(6)	(12)	(18)	(29)	(58)	(87)
Zero Dividend Preference shares in subsidiary	17	–	(1,156)	(1,156)	–	–	–
Return/(loss) on ordinary activities before and after taxation		2,077	(1,707)	370	1,795	(649)	1,146
Appropriations in respect of non-equity shares							
Zero Dividend Preference	17	–	(1,024)	(1,024)	–	(2,025)	(2,025)
Return/(loss) attributable to equity Shareholders		2,077	(2,731)	(654)	1,795	(2,674)	(879)
Dividends in respect of equity shares	7	(1,920)	–	(1,920)	(1,920)	–	(1,920)
Transfer to/(from) reserves	15,16	157	(2,731)	(2,574)	(125)	(2,674)	(2,799)
Return per share (pence):							
Zero Dividend Preference	8	–	7.22	7.22	–	6.70	6.70
Ordinary	8	5.63	(7.40)	(1.77)	4.86	(7.24)	(2.38)

*The revenue column of this statement is the revenue account of the Group.

The accompanying notes on pages 29 to 39 are an integral part of the financial statements.

All revenue and capital items in the above statement derive from continuing operations.

Balance Sheets

As at 31 May 2005

		Group 2005	Company 2005	Group 2004	Company 2004
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Investments	9	38,584	25,126	42,087	29,422
Subsidiary undertaking		–	5,095	–	6,053
		38,584	30,221	42,087	35,475
Current assets					
Debtors	11	1,417	12,231	1,779	8,235
Cash at bank and in hand		9,737	9,057	8,068	7,164
		11,154	21,288	9,847	15,399
Creditors: amounts falling due within one year	12	(1,376)	(3,219)	(3,178)	(2,164)
Zero Dividend Preference shares in subsidiary – due within one year	17	(29,464)	(29,464)	–	–
Net current (liabilities)/assets		(19,686)	(11,395)	6,669	13,235
Total net assets		18,898	18,826	48,756	48,710
Capital and reserves					
Called-up Ordinary shares	13	3,692	3,692	3,692	3,692
Called-up Zero Dividend Preference shares	13	–	–	3,021	3,021
Share premium account	14	13,940	13,940	13,940	13,940
Special reserve	14	3,021	3,021	–	–
Capital reserve – realised	14	(6,937)	(8,246)	18,380	18,745
Capital reserve – unrealised	14	4,157	5,424	8,855	8,447
Revenue reserve	15	1,025	995	868	865
Total Shareholders' funds		18,898	18,826	48,756	48,710
Equity Shareholders' funds	16	18,898	18,826	21,472	21,426
Non-equity Shareholders' funds	16	–	–	27,284	27,284
Total Shareholders' funds	16	18,898	18,826	48,756	48,710
Net asset value per share (pence):					
Zero Dividend Preference (in subsidiary)	16	97.54	97.54	90.32	90.32
Ordinary	16	51.19	50.99	58.16	58.04

The financial statements were approved by the Board of Directors on 16 August 2005 and were signed on its behalf by:

Calum A MacLeod
Chairman

The accompanying notes on pages 29 to 39 are an integral part of the financial statements.

Group Cash Flow Statement

For the year ended 31 May 2005

	Notes	2005		2004	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	18		80		966
Net cash outflow from servicing of finance			(22)		(98)
Net tax (paid)/recovered			(52)		49
Financial investment					
Purchase of investments		(7,991)		(5,014)	
Sale of investments		12,538		14,456	
Net cash inflow from financial investment			4,547		9,442
Equity dividends paid			(1,920)		(1,920)
Net cash inflow before financing			2,633		8,439
Financing					
Bank loan		(964)		(1,715)	
Net cash outflow from financing			(964)		(1,715)
Increase in cash	19		1,669		6,724
Reconciliation in net cash flow to movements in net funds/(debt)					
Increase in cash as above			1,669		6,724
Cash outflow from decrease in loans			964		1,715
Movement in net funds/(debt) in the year			2,633		8,439
Exchange gain			–		1
Net funds/(debt) at 1 June			7,104		(1,336)
Net funds at 31 May			9,737		7,104

The accompanying notes on pages 29 to 39 are an integral part of the financial statements.

Notes to the Financial Statements

For the year ended 31 May 2005

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and with the preceding year is set out below.

(a) Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include the revaluation of investments and in accordance with applicable Accounting Standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" issued in January 2003. The financial statements have been prepared on a going concern basis.

(b) Group accounts

The Group accounts consolidate the accounts, on an acquisition accounting basis, of the Company and its subsidiaries ADC Fund Limited Partnership, ADC (Glasgow) Limited and ADC Zeros 2005 PLC.

(c) Investment in subsidiary undertaking

The Company's investment in ADC Fund Limited Partnership is carried at the net asset value attributable to the Company's share in the Partnership.

(d) Associated undertaking

Those investments which are associated undertakings are carried at cost or valuation in accordance with the Company's normal policy and are not equity accounted as required by the Companies Act 1985. The Directors consider that as these investments are held as part of the Company's portfolio with a view to the ultimate realisation of capital gains, equity accounting would not give a true and fair view of the Company's interest in these investments. The effect of this departure is to decrease revenue by £1,267,000 (2004 – £1,822,000) and to increase fixed asset investments by £7,624,000 (2004 – £6,382,000)

(e) Valuation of investments

Listed investments

Quoted investments are valued at middle market prices. Where trading in the securities of an investee company is suspended the investment is valued at the Board's estimate of its net realisable value. Realised surpluses or deficits on the disposal of investments and permanent impairments in the value of investments are taken to realised capital reserve, and unrealised surpluses and deficits on the valuation of investments are taken to unrealised capital reserve as explained in note 1(i).

Unlisted investments

Unlisted investments are valued by the Directors having regard to the Guidance Notes issued by the British Venture Capital Association on the Principles for the Valuation of Venture Capital Portfolios. They are valued at cost less subsequent financings or other circumstances indicate a different valuation is appropriate. When a valuation is undertaken consideration is given to the most recent information available, including the latest trading figures, performance against forecast, management's view of prospects and the price of any transactions in the security. Realisable value in the short term could differ materially from the amount which these investments are included in the accounts.

(f) Income

Dividends receivable on equity shares are brought into account on the ex-dividend date. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established. Fixed returns on non-equity shares are recognised on a time apportioned basis so as to reflect the effective yield on shares. Other returns on non-equity shares are recognised when the right to the return is established. The fixed return on a debt security is recognised on a time apportioned basis so as to reflect the effective yield on the debt security. Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of cash dividend is recognised as income. Any excess in the value of the shares received over the amounts of the cash is recognised in capital reserves.

(g) Expenses and interest payable

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment;
- expenses are charged to capital reserve - realised where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect the investment management fee, performance fee, bank loan and overdraft interest have been allocated 67% to capital reserve - realised and 33% to the revenue reserve account, in line with the Board's expected long term split of returns, in the form of capital gains and income respectively, from the investment portfolio of the Company;
- The Group charges 100% of the costs relating to minority interests in the revised Group structure to capital.

(h) Taxation

The charge for taxation is based on the net revenue for the period. Deferred taxation is provided for using the full provision method on all timing differences, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

(i) Capital reserves*Capital reserve - realised*

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- realised exchange differences of a capital nature;
- expenses and finance costs, together with the related taxation effect, charged to this reserve in accordance with the above policies.

Capital reserves - unrealised

The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year-end.
- unrealised exchange differences of a capital nature
- unrealised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

(j) Appropriation in respect of non-equity shares

The appropriations in respect of Zero Dividend Preference shares are accounted for on an accruals basis and in accordance with the provisions of Financial Reporting Standard 4 'Capital Instruments'. The Company charges 100% of the costs of the Zero Dividend Preference shares to capital.

(k) Foreign currency

Overseas monetary assets are converted into sterling at the rate of exchange ruling at the balance sheet date. Transactions during the period involving foreign currencies are converted at the rate of exchange ruling at the transaction date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in capital or revenue depending on whether the gain or loss is of a capital or revenue nature respectively.

	2005	2004
	£'000	£'000
2. Income		
Income from investments		
Franked investment income	736	1,005
UK unfranked investment income	1,149	973
	<hr/> 1,885	<hr/> 1,978
Other income		
Deposit interest	470	137
Other income	563	359
	<hr/> 1,033	<hr/> 496
Total income comprises:		
Dividends	736	1,005
Interest	1,619	1,110
Other income	563	359
	<hr/> 2,918	<hr/> 2,474
Income from investments		
Listed UK	65	142
Unlisted	1,820	1,836
	<hr/> 1,885	<hr/> 1,978

	2005			2004		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
3. Investment management fee						
Investment management fee	203	411	614	212	430	642
Irrecoverable VAT	35	72	107	37	75	112
	238	483	721	249	505	754

The Company has an agreement with AAM for the provision of management services. This contract may be terminated subject to one year prior notice of termination by either party. Management fees are payable monthly in arrears, and are based on an annual amount of 1.25% of the gross asset value of the Company. The balance due to AAM at the year end was £98,000 (2004 – £47,000). An incentive fee of 0.1% of the gross asset value is payable for each 1% by which the total return on the net assets exceeds 8% per annum. The total fee payable to the Investment Manager will be subject to an overall maximum fee of 2% per annum of the gross asset value of the Company. No performance fee is payable for the current year (2004 – £Nil).

ADC Fund Limited Partnership has a priority profit share agreement with Aberdeen GP Limited, a subsidiary of AAM. The fee is payable quarterly in arrears and is based on an annual amount of 1.47% of the gross asset value of the Limited Partnership. The balance due to Aberdeen GP Limited at the year end was £32,000 (2004 – £46,000).

	2005			2004		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
4. Other expenses						
Share plan marketing contribution	27	–	27	30	–	30
Directors' fees	125	–	125	121	–	121
Auditors remuneration:						
– audit (including £35,000 (2004 – £23,000) relating to the parent undertaking)	49	–	49	31	–	31
– for other services	10	–	10	29	–	29
Other*	386	883	1,269	190	43	233
	597	883	1,480	401	43	444

* During the year other expenses allocated to revenue included a write off of £194,000 (2004 – £Nil) in respect of income previously recognised, which is not anticipated to be recovered. Costs relating to the reorganisation of the Group of £883,000 (2004 – £Nil) have been capitalised.

The emoluments of the Chairman, who was also the highest paid Director, were £23,500 (2004 – £22,000). No pension contributions were made in respect of any of the Directors. The Company does not have any employees.

The Group has an agreement with AAM for the provision of marketing services in relation to the Company's participation in the Aberdeen Investment Trust Share Plan and ISA. The total fees paid and payable under the agreement were £27,000 (2004 – £30,000).

	2005			2004		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
5. Interest payable and similar charges						
On bank overdrafts and bank term loan	6	12	18	29	58	87

	2005			2004		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
6. Tax on ordinary activities						
a) Analysis of charge for the year						
UK Corporation tax on profits for the period	–	–	–	–	–	–

	2005 £'000	2004 £'000
b) Factors affecting tax charge for the year		
Profit on ordinary activities before tax	2,077	1,795
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004 – 30%)	623	539
Effects of:		
Franked investment income	(213)	(301)
Other non taxable income	(157)	(28)
Interest payable	(3)	–
Expenses/interest not deductible	13	26
Utilisation of non trade LR deficit b/f	(24)	–
Utilisation of revenue expenses	(239)	(236)
Current tax charge for the period (note 6(a))	–	–

Provision for deferred taxation

No provision for deferred taxation has been made due to the fact that the Group has approximately £5,120,000 (2004 – £5,515,000) of excess management expenses. This is because the Group is not expected to generate taxable income in the future in excess of the deductible expenses of that future period, and, accordingly, it is unlikely that the Group will be able to reduce future tax liabilities through the use of existing surplus expenses.

A company qualifying as an investment trust company under section 842 of the Income and Corporation Taxes Act 1988 is exempt from taxation on capital gains. In the opinion of the Directors, the Company has conducted and intends to continue to conduct its affairs so as to enable it to retain investment trust approval. Given the Company's status as an investment trust no provision has been made for deferred tax on any capital gains and losses arising on the revaluation and disposal of investments.

	2005 £'000	2004 £'000
7. Dividends and other appropriations to Shareholders		
Appropriation in respect of non-equity shares:		
Zero Dividend Preference	1,024	2,025
Dividends on equity shares		
1st interim of 1.2p (2004 – 1.2p)	443	443
2nd interim of 1.2p (2004 – 1.2p)	443	443
3rd interim of 1.2p (2004 – 1.2p)	443	443
4th interim of 1.6p (2004 – 1.6p)	591	591
	1,920	1,920

	2005			2004		
	Revenue	Capital	Total	Revenue	Capital	Total
	P	P	P	P	P	P
8. Return per share						
Zero Dividend Preference (in subsidiary)	–	7.22	7.22	–	6.70	6.70
Ordinary	5.63	(7.40)	(1.77)	4.86	(7.24)	(2.38)

The revenue return per Ordinary share is based on the net revenue on ordinary activities after taxation of £2,077,000 (2004 – £1,795,000) and on 36,919,225 (2004 – same) Ordinary shares in issue during the year.

The capital return per Ordinary share after deduction of appropriations and finance costs in respect of Zero Dividend Preference shares, is based on net capital losses of £2,731,000 (2004 – £2,674,000) for the year and on 36,919,225 (2004 – same) Ordinary shares in issue during the year.

The capital return per Zero Dividend Preference share is based on appropriations and finance costs in respect of non-equity shares of £2,180,000 (2004 – £2,025,000) for the year and on 30,206,638 (2004 – same) Zero Dividend Preference shares in issue during the year.

	Listed In UK £'000	Unlisted £'000	Total £'000
9. Investments			
a) Group			
Opening book cost	1,276	31,956	33,232
Opening unrealised appreciation	1,413	7,442	8,855
Opening valuation	2,689	39,398	42,087
Movements in the year:			
Purchases at cost	4,500	3,491	7,991
Sales – proceeds	(3,207)	(9,114)	(12,321)
– realised gains on sales	1,931	3,594	5,525
Decrease in unrealised appreciation	(1,413)	(3,285)	(4,698)
Closing valuation	4,500	34,084	38,584
Closing book cost	4,500	29,927	34,427
Closing unrealised appreciation	–	4,157	4,157
	4,500	34,084	38,584

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
Gains/(losses) on investments				
Realised gains based on historical cost	5,525	3,738	3,661	3,644
Less: amounts recognised as unrealised in previous years	(4,028)	(2,269)	(4,217)	(4,200)
Realised gain based on carrying value at previous balance sheet date	1,497	1,469	(556)	(556)
Movement in unrealised appreciation	(670)	(754)	713	325
Deferred consideration written off	–	–	(200)	–
Gains/(losses) on investments	827	715	(43)	(231)

	Listed In UK £'000	Unlisted £'000	Subsidiary Undertaking £'000	Total £'000
b) Company				
Opening book cost	876	26,152	–	27,028
Opening unrealised appreciation	1,455	939	6,053	8,447
Opening valuation	2,331	27,091	6,053	35,475
Movements in the year:				
Purchases at cost	–	3,139	51	3,190
Sales – proceeds	(2,827)	(6,332)	–	(9,159)
– realised gains on sales	1,951	1,787	–	3,738
Decrease in unrealised appreciation	(1,455)	(559)	(1,009)	(3,023)
Closing valuation	–	25,126	5,095	30,221
Closing book cost	–	24,746	51	24,797
Closing unrealised appreciation	–	380	5,044	5,424
	–	25,126	5,095	30,221

Notes to the Financial Statements – continued

The details of the Group's subsidiaries are as follows:

Subsidiary Name	Country of Incorporation	Principal Activity	Percentage of ordinary shares held by the Group
ADC (Glasgow) Limited	Scotland	Investment company	100%*
ADC Fund Limited Partnership	Scotland	Investment company	100%
* held indirectly			

10. Significant holdings

Information about investments required by Schedule 5 of the Companies Act 1985, all of which are incorporated and operate in England and Scotland.

- a) As at 31 May 2005, Aberdeen Development Capital PLC held in excess of 20% of any class of the following investee companies share capital:

Name	Class of share £'000	% of Class held £'000	% of Equity held	Capital & reserves £'000	Post tax Profit/(loss) £'000
Enterprise Food Group Limited	'B' Ord	23	5	n/a	n/a
	Pref	23			
	SLS	23			
Feather Diesel Holdings Limited	CRP	100	—	383	(293)
	SLS	100			
FFC (UK) Limited*	CCPPO	100	25	(71)	962
	CRP	100			
	SLS	100			
Fispak Limited*	SLS	100	—	n/a	n/a
GW 1016 Limited*	Ord	13	13	n/a	n/a
	SLS	21			
IFC Holdings Limited	Ord	24	24	4,354	290
John Lawrie (Aberdeen) Limited	'A' Ord	90	7	7,349	690
MBM Oilfield Services Limited*	'B' Ord	75	37	2,033	577
	CRP	75			
	Bonds	100			
Norson Group Limited*	'A' Ord	50	33	2,120	530
	CRP	50			
Original Shoe Company Limited*	CCPPO	100	21	1,286	(111)
	SLS	100			
Pilgrim Systems Limited*	CCPPO	100	20	871	247
PLM Dollar Group Limited	CCPPO	100	20	4,162	33
	CRP	100			
	SLS	100			
Road & Sea Express (UK) Limited*	CCPPO	100	n/a	n/a	n/a
	CRP	100			
	SLS	100			
Spencer Coatings Limited*	'A' Ord	25	24	348	64
	'B' CRP	50			
	'C' CRP	50			
	'D' CRP	28			
	'E' CRP	28			
The Cabinet Factory Limited	CRP	50	n/a	n/a	n/a
TLA Holdings Limited*	'A' Ord	73	34	1,467	647
	CRP	73			
TMI Foods Limited *	'B' Ord	33	7	939	277
	CRP	33			
	SLS	33			

Name	Class of share £'000	% of Class held £'000	% of Equity held	Capital & reserves £'000	Post tax Profit/(loss) £'000
Transrent plc*	CCPPO	34	10	17,426	1,722
	CRP	34			
Transys Projects limited	'B' Ord	32	14	672	(138)
	Pref	18			
	SLS	32			

*Associated company

b) Other interests of 10% or more of any class of the following investee company's share capital:

Name	Class of share	% of class held
Astraeus Limited	'B' Ord	14
	SLS	14
CAP Aluminium Group Limited	'B' Ord	13
	SLS	13
Freeport Scotland Limited	Ord	14
Ortak Jewellery Limited	'A' Ord	12
Plaxton Limited	'A' Ord	11
	SLS	11
Public Service Communications Agency Limited	'A' Ord	12
	'A' Ord	12
	SLS	12
Tuscan Energy Group Limited	'B' Ord	13
	SLS	10

CRP Cumulative Redeemable Preference **SLS** Secured Loan Stock
CCPPO Cumulative Convertible Participating Preferred Ordinary

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
11. Debtors				
Prepayments and accrued income	1,043	939	1,263	1,088
Tax recoverable	73	49	16	7
Other debtors	301	182	500	500
Amounts due from subsidiary undertakings	—	11,061	—	6,640
	1,417	12,231	1,779	8,235

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
12. Creditors: amounts falling due within one year				
Bank loan	—	—	964	—
Proposed dividend	591	591	591	591
Amounts due to subsidiary undertakings	—	1,875	—	—
Other creditors	785	753	1,623	1,573
	1,376	3,219	3,178	2,164

On 29 October and 31 October 2004 respectively, the Group repaid the outstanding amount of £764,000 for the bank loan in respect of ADC (Glasgow) Limited, and £1.4 million representing the amount outstanding on the date of termination of the agreement to provide a minority interest to the nominee capital partners of ADC Fund Limited Partnership.

	2005		2004	
	Authorised £'000	Issued and fully paid £'000	Authorised £'000	Issued and fully paid £'000
13. Called-up share capital				
Zero Dividend Preference shares of 10p (in subsidiary)	–	–	5,624	3,021
Ordinary shares of 10p	5,651	3,692	5,651	3,692
	Share Premium Account	Special Reserve	Realised Capital Reserve	Unrealised Capital Reserve
	£'000	£'000	£'000	£'000
14. Share premium and capital reserves				
Group				
Beginning of year	13,940	–	18,380	8,855
Cancellation of ZDP share capital	–	3,021	–	–
Transfer on disposal of assets	–	–	4,028	(4,028)
Net gain on realisation of investments	–	–	1,497	–
Decrease in unrealised appreciation	–	–	–	(670)
ZDP entitlement transferred to creditors	–	–	(29,464)	–
Reorganisation costs paid and accrued	–	–	(883)	–
Costs charged to capital	–	–	(495)	–
End of year	13,940	3,021	(6,937)	4,157
	Share Premium Account	Special Reserve	Realised Capital Reserve	Unrealised Capital Reserve
	£'000	£'000	£'000	£'000
Company				
Beginning of year	13,940	–	18,745	8,447
Cancellation of ZDP share capital	–	3,021	–	–
Transfer on disposal of assets	–	–	2,269	(2,269)
Net gain on realisation of investments	–	–	1,469	–
Decrease in unrealised appreciation	–	–	–	(754)
ZDP entitlement transferred to creditors	–	–	(29,464)	–
Reorganisation costs paid and accrued	–	–	(883)	–
Costs charged to capital	–	–	(382)	–
End of year	13,940	3,021	(8,246)	5,424
	Group		Company	
	£'000		£'000	
15. Revenue reserves				
Beginning of the year	868		865	
Retained revenue for the year	157		130	
End of year	1,025		995	

As permitted by Section 230 of the Companies Act 1985, the Company has not presented its own revenue account.

16. Net Asset Value per share

The net asset value per share and the net asset values attributable to each class of share at the year end calculated in accordance with the Articles of Association were as follows:

	Net asset value Per share attributable		Net asset values Attributable	
	2005 p	2004 p	2005 £'000	2004 £'000
Zero Dividend Preference shares (in subsidiary)	97.54	90.32	29,464	27,284
Ordinary shares	51.19	58.16	18,898	21,472

Group	Zero dividend	Ordinary
	Preference	Shares
	Shares	Shares
	£'000	£'000
The movements during the year of the net assets were as follows:		
Total net assets attributable at beginning of year	27,284	21,472
Transfer of ZDP to subsidiary	(27,284)	27,284
ZDP entitlement transferred to creditors	–	(29,464)
Dividends on equity shares	–	(1,920)
Total recognised gains for the year	–	1,526
Total net assets attributable at end of year	–	18,898

Company	Zero dividend	Ordinary
	Preference	Shares
	Shares	Shares
	£'000	£'000
The movements during the year of the net assets were as follows:		
Total net assets attributable at beginning of year	27,284	21,426
Transfer of ZDP to subsidiary	(27,284)	27,284
ZDP entitlement transferred to creditors	–	(29,464)
Dividends on equity shares	–	(1,920)
Total recognised gains for the year	–	1,500
Total net assets attributable at end of year	–	18,826

Net Asset Value per Ordinary share of the Group is based on total equity Shareholders' funds and on 36,919,225 (2004 – same) Ordinary shares, being the number of shares in issue at the year-end.

Net Asset Value per Ordinary of the Company is based on total equity Shareholders' funds and on 36,919,225 (2004 – same) Ordinary shares, being the number of Ordinary shares in issue at the year- end.

Net Asset Value per ZDP share in the subsidiary is based on non-equity Shareholders' funds and on 30,206,638 (2004 – same) ZDP shares in issue at the year-end.

17. Zero Dividend Preference Shares

On 22 November 2004, the Zero Dividend Preference shares of the Company were cancelled and re-issued within ADC Zeros 2005 PLC. For the period 1 June 2004 to 22 November 2004, the accretion in entitlement to Zero Dividend Preference shareholders was treated as an appropriation in respect of non-equity shares and amounted to £1,024,000 (2004 – £2,025,000). The re-issued Zero Dividend Preference shares have been treated as a creditor in the balance sheet of both the Group and Company. The accretion in entitlement of £1,156,000 (2004 – £Nil) has therefore been treated as finance cost. As a result the entitlement due in respect of Zero Dividend Preference shares at the year end was £29,464,000.

18. Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities	2005	2004
	£'000	£'000
Net return before finance costs and taxation	2,083	1,824
Investment management fees charged to capital reserve	(483)	(505)
Decrease/(increase) in other debtors	201	(270)
Decrease in other creditors	(838)	(40)
Other expenses charged to capital reserve	(883)	(43)
Net cash inflow from operating activities	80	966

	1 June 2004 £'000	Cashflow £'000	Exchange Movement £'000	31 May 2005 £'000
19. Analysis of changes in net funds/(debt)				
Net cash:				
Cash at bank	8,068	1,669	–	9,737
	8,068	1,669	–	9,737
Debt:				
Debts falling due within one year	(964)	964	–	–
Net funds/(debt)	7,104	2,633	–	9,737

20. Contingencies, guarantees and financial commitments

The Company had outstanding a guarantee of up to £488,384 in favour of Lloyds TSB in respect of the provision of additional working capital for Transrent Holdings Limited. In addition, the Company had outstanding at the year-end a guarantee of up to £562,500 in favour of Bank of Scotland in respect of a term loan for Aberdeen Football Club plc.

21. Related party disclosure

The transactions with Aberdeen Asset Managers Limited and the year end balances are disclosed in notes 3 and 4 of the financial statements.

22. Post Balance Sheet Events

On May 27 2005, a Circular was sent to Ordinary Shareholders of the Company and ZDP holders of ADC Zeros 2005 PLC with a recommended Refinancing Proposal of the Group given the repayment of existing ZDP shares was due on 5 July 2005. Existing ZDP holders were given a choice of electing for the cash option at 98.2845 pence per share through a members' voluntary liquidation of ADC Zeros 2005 PLC or rolling over their investment at a rate of 98.1825 pence per share into new ZDP units comprising one share in ADC Zeros 2010 PLC and one share in ADC Zeros 2012 PLC.

The Proposal was passed at EGMs held for both the Company and ADC Zeros 2005 PLC on 21 June 2005, with holders of 16,757,733 existing ZDP shares electing for cash and holders of 13,448,905 existing ZDP shares electing to roll over into the new ZDP units. Simultaneously, a placing offer was held which raised £4,295,716 for new ZDP units. On 29 June 2005 an EGM of ADC Zeros 2005 PLC was held to appoint a liquidator and distribute the assets in accordance with the Proposal. On 30 June 2005, 8,750,000 new ZDP units were issued and listed on the London Stock Exchange.

23. Financial instruments

The Group's financial instruments comprise:

- Equity and non-equity shares and fixed and floating interest securities that are held in accordance with the Group's investment objectives, which are set out on page 1 of this Report & Accounts;
- Cash and liquid resources that arise directly from the Group's operations.

The main risks arising from the Group's financial instruments are market price risk, interest rate risk, foreign currency risk, credit risk and liquidity risk.

The Board regularly reviews and agrees policies for managing each of these risks and these are summarised below. These policies have remained unchanged since the inception of the Group. The Group has taken advantage of the exemption allowed under FRS 13, 'Derivatives and other Financial Instruments', and excluded short-term debtors and creditors from disclosures under financial instruments.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Group might suffer through holding market positions in the face of price movements.

To mitigate the risk the Board's investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined accounting, market and sector analysis, with the emphasis on long term investments. The Investment Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to consider investment strategy.

A list of the top twenty investments held by the Group is shown in the 'Investment Portfolio' table on pages 12 to 15.

All investments are stated at fair value.

Interest rate risk

Financial assets

Bond and preference share yields, and as a consequence their prices, are determined by market perception as to the appropriate level of yields given the economic background. Key determinants include economic growth prospects, inflation, the Government's fiscal position, short-term interest rates and international market comparisons. The Investment Manager takes all these factors into account when making any investment decisions as well as considering the financial standing of the potential investee company.

Returns from bonds and preference shares are fixed at the time of purchase, as are their coupon payments, as are the final redemption proceeds. Consequently, if a bond is held until its redemption date, the total return achieved is unaltered from its purchase date. However, over the life of a bond the market price at any given time will depend on the market environment at that time. Therefore, a bond sold before its redemption date is likely to have a different price to its purchase level and a profit or loss may be incurred.

The interest rate profile of the Group at 31 May 2005 is as follows:

Type	Total as per Balance Sheet		Fixed rate		Financial assets on which no interest is paid		Weighted average interest rate*		Weighted average period for which rate is fixed (years)**	
	£'000	£'000	£'000	£'000	£'000	£'000	2005	2004	2005	2004
Preference and Convertible shares	5,444	6,490	5,344	6,490	100	–	6.84	6.74	2.91	2.24
Unsecured loan stock	15,698	11,074	15,393	10,712	305	362	6.13	7.50	3.03	3.56
Equities	17,442	24,523	3,216	2,777	14,226	21,746	0.99	1.15	–	–
Total	38,584	42,087	23,953	19,979	14,631	22,108	5.60	6.37	2.98	2.98

* The 'Weighted average interest rate' is based on the current yield of each asset, weighted by its market value. This excludes all equities and stocks where payments have been suspended.

** The 'Weighted average period for which rate is fixed' refers to Unsecured loan stock.

Financial liabilities

Type	Total as per Balance Sheet		Floating rate		Fixed rate		Financial liabilities on which no interest is paid		Weighted average interest rate*		Weighted average period for which rate is fixed (years)**	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	2005	2004	2005	2004
Sterling loan – due within one year	–	964	–	964	–	–	–	–	–	4.77	–	–
Total	–	964	–	964	–	–	–	–	–	4.77	–	–

The Group finances its operation through its Zero Dividend Preference shares and bank overdrafts. The Board sets borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. At the year end, the Group's Zero Dividend Preference shares were stated at a fair value of £29,464,000 details of which are contained in note 16 on page 37.

Credit risk

In addition to the interest rate risk, the Group's investments in bonds and loan stock are also exposed to credit risk, which reflects the ability of a borrower to meet its obligations. Generally, the higher the quality of the issuer, the lower the interest rate at which they can borrow. Issuers of a lower quality will tend to have to pay more to borrow money to compensate the lender for the extra risk taken. The Investment Manager assesses the risk associated with these investments by prior financial analysis of the issuing companies as part of their normal scrutiny of prospective investments.

Liquidity risk

The Group's assets comprise mainly unlisted securities, which can be sold to meet funding commitments. The maturity of the Group's existing borrowings is set out in note 12 on pages 35 and 36. Short term flexibility is achieved through the use of overdraft facilities.

Marketing Strategy

Aberdeen Development Capital PLC contributes to the marketing programme run by AAM, on behalf of a number of investment trusts under its management. This agreement will see the Company's contribution matched by Aberdeen over its length and was worth £27,965 for the twelve months ended 31 May 2005.

The purpose of the programme is to communicate effectively with existing Shareholders and gain more new Shareholders, thus improving liquidity and thereby enhancing the value and rating of the Company's shares.

These aims can be met in several ways:

Investor relations programme

AAM runs an investor relations programme to existing and prospective institutional investors in investment trusts. Each month institutional investors and prospects receive a Manager's report on your Company that includes detailed performance analysis.

Newsletter

The 'Bulletin' newsletter, an informed commentary on markets and investment trusts managed by AAM is distributed free of charge.

Public relations

AAM undertakes to brief journalists, write regularly through placed articles and ensure Company results and any corporate activity are brought to public attention.

Shareholder services

AAM runs an investment help desk for retail enquirers and investors. Enquirers or investors will be sent any relevant literature on request and have queries answered immediately.

The Marketing Programme is under the direction of AAM's Head of Investor Relations for Investment Trusts, who has considerable experience in the marketing and communications of investment products. He is supported by a team of marketing professionals.

Internet

The AAM Investment Trusts web site contains details of closed end funds and investment companies managed or advised by the Aberdeen New Thai Investment Trust PLC has its own dedicated website: www.newthai-trust.co.uk. This allows web users to access information on the Company's share price performance, capital structure, stock exchange announcements and monthly reports. The site is continuously being evaluated for improvement.

It is intended that ongoing Programme activities in these various fields, both proactive and supportive, will assist the Company to increase and maintain its Shareholder base, improve liquidity and sustain ratings.

The Company is committed to a close monitoring of the Marketing Programme. The Head of Investor Relations for Investment Trusts reports to the Board and provides a written summary quarterly.

If you have any questions about your Company, the Manager or performance, please telephone the AAM Customer Services Department (direct private investors) on 0500 00 00 40 or our Broker Desk on 0800 592 487 (Institutions and IFAs).

Alternatively, internet users may email AAM at inv.trusts@aberdeen-asset.com or write to 10 Queen's Terrace, Aberdeen AB10 1YG.

How to Invest In Aberdeen Development Capital PLC

AAM runs a Share Plan (the "Plan") which covers a number of investment companies under its management including Aberdeen Development Capital PLC. All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250 per trust, while regular savers may invest from just £50 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

Aberdeen Investment Trust Individual Savings Account

The Aberdeen Investment Trust ISA (the "ISA") has been available from 6 April 1999. It aims to generate income and/or capital growth within a tax efficient environment. Investors can hold up to three components within an ISA: stocks and shares (including Investment Trusts), cash and life insurance. AAM offers both a Mini and Maxi stocks and shares ISA, but does not offer the cash or life insurance components.

Maxi ISA

The Maxi ISA offers a wide range of AAM managed or advised Investment Companies. The Maxi ISA does not have a cash or life insurance component. An investment of up to £7,000 can be made in the tax year 2005/2006.

Mini ISA

AAM offers a Mini ISA which will enable investors to invest up to £4,000 in the Aberdeen Investment Trusts in the tax year 2005/2006.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The annual ISA management charge is £24 + VAT, calculated monthly and deducted from income half yearly. Under current legislation, trusts can grow free of income or capital gains tax. In the case of dividends from equity assets held within an ISA or PEP, a 10% tax credit will be reclaimed until April 2004, when the tax credit was abolished.

PEP Transfer

PEPs are an easy way to make medium and long term tax efficient investments in stock markets. All income and capital gains are free of tax. Since 5 April 1999 no further subscriptions can be made into a PEP. You can however, transfer existing PEPs to AAM. The minimum lump sum for a PEP transfer is £1,000 and is subject to a minimum per trust of £250.

Trust Information

If investors would like details of any trust managed by AAM, or information on the Share Plan or ISA please telephone 0500 00 00 40 or write to Aberdeen Asset Managers Limited, 10 Queen's Terrace, Aberdeen AB10 1YG or email at inv.trusts@aberdeen-asset.com. Details are also available by accessing the internet on the following page <http://www.aberdeen-asset.com>.

Notice of Meeting

Notice is hereby given that the nineteenth Annual General Meeting of Aberdeen Development Capital PLC will be held at 10 Queen's Terrace, Aberdeen AB10 1YG, on Friday 30 September 2005 at 12 noon for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions numbers 1 to 6 inclusive will be proposed as ordinary resolutions and resolution 7 will be proposed as a special resolution.

As Ordinary Business

1. To receive the report of the Directors and the financial statements for the year ended 31 May 2005, together with the Auditors Report thereon.
2. To receive and adopt the Directors' Remuneration Report.
3. To re-elect Mr Gilbert as a Director of the Company.
4. To re-elect Mr Phillips as a Director of the Company.
5. To appoint Deloitte & Touche LLP as independent auditors and to authorise the Directors to determine their remuneration.
6. To generally and unconditionally authorise the Directors to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £1,218,334, representing 33% of the present issued share capital, provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company after the passing of this Resolution save that the Company may before such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

As Special Business

7. That subject to the passing of the previous Resolution, the Directors are hereby empowered to allot equity securities for cash (within the meaning of Section 94 of the Companies Act 1985 ("the Act") pursuant to Section 95 of the Act) pursuant to the authority conferred by the previous Resolution, as if Sub-Section 89(1) of the Act did not apply to any other such allotment;
 - (a) the allotment of equity securities in connection with a rights issue in favour of the holders of equity securities in the Company ("shares") where the equity securities respectively attributable to the interest of all such Shareholders are proportionate (as nearly as may be) to the respective number of shares held (or deemed or notionally held) by them but subject to such exclusions or other arrangements as the Directors may think fit in relation to fractional entitlements or to deal with problems under the laws, or requirements of any recognised body or Stock Exchange in any territory; and
 - (b) the allotment (other than pursuant to paragraph (a) of this resolution) of equity securities up to an aggregate nominal value of £184,596 (5% of the present issued share capital);and shall expire on the date of the next Annual General Meeting of the Company after the passing of this Resolution, save that the Company may, before expiry, make any offer or agreement which would or might require equity securities to be allotted after such expiry, and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

10 Queen's Terrace
Aberdeen AB10 1YG
16 August 2005

By order of the Board
Aberdeen Asset Management PLC
Secretaries

Notes

1. A member entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him/her. A proxy need not be a member of the Company. A form of proxy is enclosed.
2. Instruments of proxy and the power of attorney or of other authority, if any, under which they are signed or notarially certified copy of that power of authority should be sent to The Registrars, Aberdeen Development Capital PLC, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive not less than forty eight hours before the time fixed for the meeting.
3. No Director has a service contract with the Company.
4. The Register of Directors' interests is kept by the Company in accordance with Section 325 of the Companies Act 1985 and will be open for inspection at the meeting.

Your Company's Capital History

Issued Share Capital as at 16 August 2005

36,919,225 Ordinary shares of 10p

Capital History

5 September 1986	Issue of 12,000,000 Ordinary shares of 10p in North of Scotland Investment Company plc (now Aberdeen Development Capital PLC)
8 September 1986	Dealings commence in Ordinary shares
4 December 1987	Issue of 4,889,031 Ordinary shares of 10p
3 June 1988	Issue of 2,676,808 Ordinary shares of 10p
28 November 1988	Issue of 1,898,620 Ordinary shares of 10p
6 June 1990	Issue of 7,533,462 Ordinary shares of 10p
	Change of name to Abtrust Scotland Investment Company PLC
10 April 1991	Issue of 4,517,543 Ordinary shares of 10p
25 April 1994	1 for 5 Rights issue of 6,703,092 units (each unit comprising 5 new Ordinary shares of 10p and 1 warrant) and a 1 for 5 bonus issue of warrants
30 September 1995	Issue of 1,120 Ordinary shares of 10p resulting from the exercise of 1,120 warrants
30 September 1996	Issue of 500 Ordinary shares of 10p resulting from the exercise of 500 warrants
30 September 1997	Issue of 8,528 Ordinary shares of 10p resulting from the exercise of 8,528 warrants
30 September 1998	Issue of 1,600 Ordinary shares of 10p resulting from the exercise of 1,600 warrants
1 July 1999	Conversion into a split-capital investment trust with revised capital being 55% Ordinary shares of 10p and 45% Zero Dividend Preference shares of 10p
	Purchase for cancellation of entire outstanding warrants
	Change of name to Aberdeen Development Capital PLC
29 October 1999	Formation of subsidiaries, ADC Fund Limited Partnership and ADC (Glasgow) Limited
23 August 2004	Formation of subsidiary, ADC Zeros 2005 PLC, issue of 50,000 Ordinary shares of £1 and 30,206,638 ZDP shares of 0.0001p
22 November 2004	Dealings commence in ZDP shares of ADC Zeros 2005 PLC
19 May 2005	Formation of subsidiaries, ADC Zeros 2010 PLC and ADC Zeros 2012 PLC
29 June 2005	ADC Zeros 2005 PLC placed in voluntary liquidation
30 June 2005	Dealings commence in the ZDP units of ADC Zeros 2010 PLC and ADC Zeros 2012 PLC, issue of 8,750,000 new ZDP units

Corporate Information

Directors

Calum A MacLeod, Chairman
Martin J Gilbert (alternate Hugh W M Little)
John R Milligan
Willie C H Phillips
George A Robb
Charles M Scott

Manager

Aberdeen Asset Managers Limited
10 Queen's Terrace
Aberdeen AB10 1QG

Secretaries and Registered Office

Aberdeen Asset Management PLC
10 Queen's Terrace
Aberdeen AB10 1YG
Email: company.secretaries@invtrusts.co.uk
Registered Number: 98542

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Audit Committee

Messrs Scott (Chairman), MacLeod, Milligan,
Phillips and Robb

Management Engagement Committee

Messrs MacLeod (Chairman), Milligan, Phillips,
Robb and Scott

Nomination Committee

Messrs MacLeod (Chairman), Gilbert and Phillips

Stockbrokers

Cazenove & Co
20 Moorgate
London EC2R 6DA

Auditors

KPMG Audit Plc
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

Bankers

Bank of Scotland
Corporate Banking (Scotland)
3-5 Albyn Place
Aberdeen AB10 1PY

Custodian Bankers

State Street Bank and Trust Company
One Canada Square
London E14 5AF

Solicitors

Dickson Minto
16 Charlotte Square
Edinburgh EH2 4DF

Aberdeen Asset Managers Limited

10 Queen's Terrace

Aberdeen AB10 1YG

Tel 01224 631999 Fax 01224 647010

One Bow Churchyard, Cheapside, London EC4M 9HH

Tel 020 7463 6000 Fax 020 7463 6001

123 St. Vincent Street, Glasgow G2 5EA

Tel 0141 306 7400 Fax 0141 306 7401

Authorised and Regulated by The Financial Services Authority

Member of the Aberdeen Asset Management Group of Companies

